

LANDSCAPE MANAGEMENT

INCORPORATING LAWN CARE INDUSTRY

Bargain prices: an industry headache



Andrews: some prices based on competitor



McGuire: putting up with part-timers



Weirichs: issue is service and value

Seven lawn pros tell us that part-timers are pesky. But a massive marketing push by a national company would be downright scary.

■ Bob Andrews says price cutting in his market is accelerating.

"I get the sense, from time to time, that what they charge for their product is based more on what they think their competitor is charging rather than any actual cost factor involved in running their business," says the owner of The Greenskeeper in Carmel, Ind.

While a couple of lawn care companies in his area appear to be trying "to buy" market share, he believes some of the smallest, newest ones don't yet know how to price their services.

Pricing was one of the topics Aug. 2 when seven independent lawn application company owners discussed their industry with LANDSCAPE MANAGEMENT Publisher Jon Miducki and Senior Editor Ron Hall in Charleston, S.C.

The participants, all either PLCAA board members or officers, were: Andrews; Neal DeAngelo, Lawn Specialties, Hazleton, Pa.; Daryl Johnson, All American Turf Beauty, Van Meter, Iowa; Ed McGuire, The Lawn Co., South Dennis, Mass.; John Robinson, Green Drop Lawns Ltd., Calgary, Alberta, Canada; Lou Weirichs, Pro-X Systems Lawn Care, Appleton, Wis.; and Joe Williams, Lawn Master, Pensacola, Fla.

(For the record, all or almost all the roundtable LCOs—judging from the chorus of protests when we suggested they'd reached a pricing plateau—say they raise their prices regularly.)

The price squeeze—Andrews says, on the one hand, a national lawn care company has the

resources to bombard a targeted area with telemarketing. "They'll call these people back five, six, seven times until they close the sale," says Andrews. On the other, the newest companies in a marketplace try to lure customers by unrealistically low prices.

These things, Andrews says, makes it difficult to raise prices very much in his market area.

"You can put up with the part-time guy, the guy who's mowing lawns and then he's putting down applications," says McGuire, owner of the largest lawn care company on Cape Cod. "It's when you get national companies that have marketing techniques that are vast."

"The little guy is going to peck away at you. He's going to take 20, 25 customers," cuts in Andrews. "But it's when you're sitting there dealing with a phone bank and a national strategy..."

Value or price?—Weirichs, a former ServiceMaster franchisee who's now an independent operator, says the issue always boils down to service and value. But it may take a while for customers to realize they want value rather than lowest price. "They realize they're not getting the service for the dollars they're spending," he says of customers of cut-price, cut-rate lawn operations. "It might take a year or two, but they do come back."

"The biggest fear we have is that the customer *won't* come back," responds Andrews quickly.

"If you treat a lawn for three or four years with a good program, you're going to have that lawn in good shape and it can go for a year with pretty much next to nothing unless something happens like a drought or a grub infestation. It's in that second year that the disgust factor begins to set in—when the service calls aren't answered."

McGuire says that in the past many LCOs built their pricing schedule around ChemLawn pricing. "It's got to be in the ballpark," he says of the price of any company trying to compete in a ChemLawn

marketplace.

Diversification—Weirichs says he isn't bashful about raising prices, particularly if the increases are based on rising business costs. "I set my prices at the level I think I can get. When I get it (higher price), I take it," he says.

"Our prices are more than double what they were 10 years ago," adds DeAngelo.

"What's happened too is that everybody has diversified and added more services. Our dollars per customer continues to go up, but it's through offering more services.

"People have a set dollar amount they're going to spend on their lawns. So maybe you can't raise your price per application, but you are getting more

money out of your customer."

Williams, a native Floridian and longtime LCO in Pensacola, says he thinks it's not a good idea for any company to aspire to be the lowest-priced in any market. "I think a lot of us don't necessarily want to be the cheapest. I know we don't," he says.

"We're the most expensive in our market," says DeAngelo.

"We're second, next to Barefoot," adds Weirichs.

Robinson, whose Calgary-based Green Drop Lawns operates in several large Canadian cities, says he doesn't want to be the highest-cost service either. "It's hard to grow in your market if you're the highest priced, particularly in a flat economy," he says.

—Ron Hall

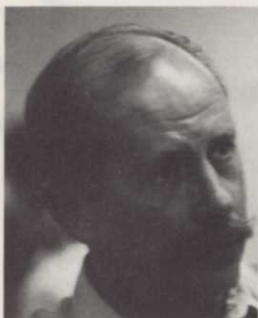
**More
'pricing'
features
continued
on page 30**



DeAngelo: prices more than double now



Williams: don't try to be lowest-priced

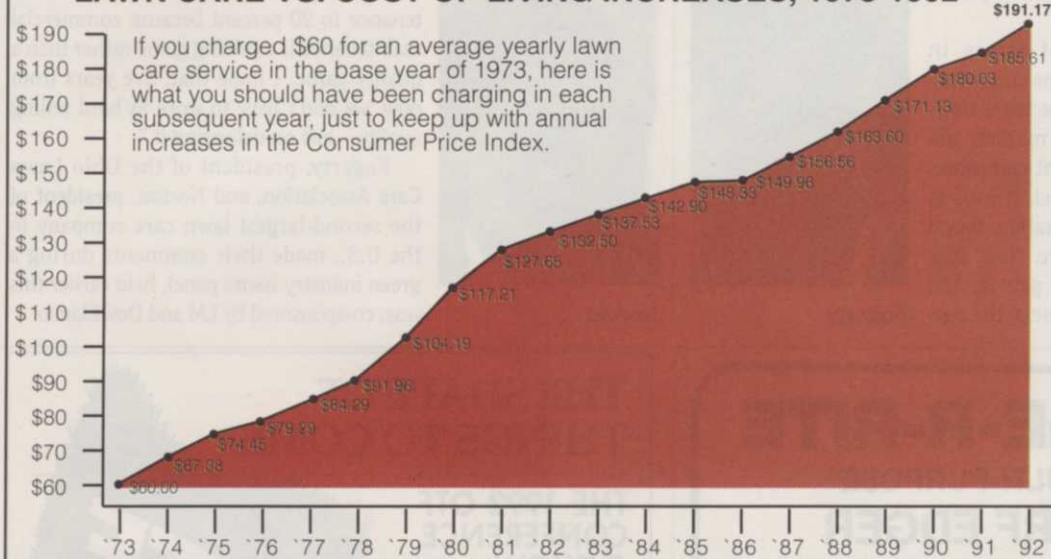


Robinson: don't try to be highest-priced



Johnson: cost of business a factor

LAWN CARE VS. COST-OF-LIVING INCREASES, 1973-1992



Want real cheap? Do it yourself

■ Iowa State grad (a few years ago) Daryl Johnson says lawn professionals have to keep in mind that many potential customers can still do their own lawn care much cheaper than a professional service. "It used to be that Scott's 5,000-square-foot program was about \$50. Now you can buy somebody else's four-application program for \$20-something bucks," says Johnson.

There are a lot of people doing it themselves now," adds Neal DeAngelo. "Talk to anybody who sells fertilizer and they'll tell you how much the do-it-yourself market is back up."

Weirichs says some of these do-it-yourselfers are finding out they can't get the results they want.

"We had five calls last week. They said, 'hey, we thought we could get along without it (pro-

fessional service).' Then they came back," says Weirichs.

"The problem is, this (lawn care) is still an inexpensive business to get into," says DeAngelo. "You don't have to come up with any money to support cash flow. Buy a pickup truck with a skid mount unit for a couple thousand bucks and you're in business."

Says Johnson: "I can spend a lot of money educating our people, making sure they go to all the turf conferences and somebody can go into business down the street. They can hire somebody that doesn't know the difference between diazinon and Trimec and they can go out and beat our price. They don't have near the cost of doing business."

—R.H.

Are you 'doing things for the same price as five, six years ago?'

■ According to Phil Fogerty of Crowley Lawn Care in Cleveland, Ohio, the price of lawn care hasn't gone up since the mid-80s, in some cases.

"It is incredible, when you look at it," Fogerty observes, "how you are doing things for the same price—or sometimes less than—you did them for five, six and seven years ago."

"Industries like ours have the best profit margins, and yet those have been shrinking each year because we can't afford to raise prices," Crowley tells LANDSCAPE MANAGEMENT.

Pat Norton of Barefoot Grass in Worthington, Ohio, has the same concerns.

"On the one hand, you have these (low-ballers) doing the residential market, and then you have the management companies running the commercial market. It used to be that, if you had a good reputation, they'd pay you 10 or 15 percent more. Now, they have 10 bids and the low bid gets it. And then, when they go out of business, the cus-



Fogerty



Norton

tomers gets 10 more bids the following week."

"We've gone from 80 percent lawn maintenance to 20 percent because commercial maintenance is a pricing game rather than a quality game. I hope that, five years from now, we don't have to work as hard selling quality—just on delivering it."

Fogerty, president of the Ohio Lawn Care Association, and Norton, president of the second-largest lawn care company in the U.S., made their comments during a green industry issues panel, held earlier this year, co-sponsored by LM and DowElanco.

DID YOU INCREASE PRICES FOR THIS YEAR?

YES=37.3%

NO=62.7%

DO YOU PLAN TO INCREASE PRICES NEXT YEAR?

YES=65.1%

NO=34.9%

Source: LM State of the Industry survey

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